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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

Report of the Administrator

I. INTRODUCTION

1. At its first regular session 1999, the Executive Board considered the report of the Administrator on the activities of, inter alia, the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE), contained in paragraphs 46 to 54 of document DP/1999/4. During the ensuing discussion, the Board requested the Administrator to provide an analysis of the Fund's usefulness and the rationale for its continuation. In responding to that request, the present report provides background information on the Fund and its financial status and outlines UNDP plans to phase out the activities of the Fund by the end of 2000.

2. In accordance with Economic and Social Council resolution 1762 (LIV) of 18 May 1973 and General Assembly resolution 3167 (XXVIII) of 17 December 1973, UNRFNRE was established as a trust fund and is administered on behalf of the Secretary-General by the Administrator of UNDP. The purpose of the Revolving Fund was to extend and intensify the activities of the United Nations system in the field of natural resources exploration in developing countries and provide a mechanism for developing countries to obtain knowledge about their mineral wealth. UNRFNRE resources are made available to programme countries in addition to those from the target for resource assignments from the core.

II. FINANCIAL STATUS

3. Over the past 25 years, UNRFNRE has received a total of $91 million in voluntary contributions and other income from 26 countries. The voluntary contributions declined from a level of $3 million in 1991 to $1.6 million in

1998 (provided by Japan, China and Indonesia). The financial status of the Fund is presented in the tables below.

Table 1. Resource availability and utilization
(in millions of US dollars)

	Actual 1998	Estimated 1999	Estimated 2000
Balance as of 1 January	3.14	4.07	3.04
Additional resources received			
Voluntary contributions	1.64	0.07	-
Interest and other income	0.23	0.15	-
Subtotal	5.01	4.29	3.04
Resources utilized			
Programme expenditure	0.32	0.80	0.21
Biennial support budget	0.62	0.45	0.35
Subtotal	0.94	1.25	0.56
Balance of resources as of 31 December	4.07	3.04	2.48

Table 2. Resources available for programming and administration
(in millions of US dollars)

General resources as of 31 December	4.07	3.04	2.48
Less: unspent project allocations	1.01	0.21	-
Balance available as of 31 December	3.06	2.83	2.48

4. As indicated in the tables, UNRFNRE will have a balance of $2.48 million at the end of 2000 if current commitments are fulfilled, no new initiatives are undertaken, and no additional contributions are made.

III. PHASE-OUT PLANS

5. UNDP is in the process of phasing out the activities of UNRFNRE, a process that is expected to be completed by the end of 2000. In doing so, careful consideration is being given to the following three key issues.

6. First, UNDP is ensuring that all existing project and contractual commitments are fulfilled in a responsible manner. Although the Director and

one Junior Professional expert completed their contracts in May and June and have not been replaced, one Senior Professional Officer with longstanding experience in mineral exploration has been retained to ensure that ongoing projects are properly completed and that other transitional issues are carefully addressed. Ongoing projects that will be completed by the end of 2000 include one project in Mozambique aimed at assisting artisanal miners in Zambezia Province and another in Suriname on the abatement of mercury use by artisanal gold miners through awareness-building and the identification and adoption of environmentally sound methods. In addition, UNRFNRE is working with the Sustainable Agriculture Unit of the Sustainable Environment and Energy Division on a study to identify rock phosphate deposits suitable for mining by artisanal miners for use by subsistence farmers in Africa to improve soil fertility and thereby contribute to food security.

7. Second, UNDP is ensuring that all usable information compiled by UNRFNRE is archived electronically and made available to all programme countries. The Revolving Fund has completed 30 mineral exploration programmes involving geological, geochemical and geophysical surveys and drilling campaigns. It has also evaluated numerous occurrences that never materialized into projects. This data will be useful for delineating the distribution of naturally occurring elements that have an environmental impact - arsenic, lead, etc. In addition, the information could be extremely useful for environmental baseline determination and land-use planning in the rural areas, which Governments could utilize to attract private mining companies. With advances in analytical geochemistry and interpretative techniques, new mineral provinces could be detected in areas that were previously considered barren or uneconomical.

8. Third, UNDP is addressing the issue of the utilization of the balance of funds. UNDP plans to use the balance of UNRFNRE funds for capacity-building for natural resources management in programme countries in consultation with the major donor, Japan. A report will be submitted to the Executive Board at a later date.

IV. RECOMMENDATION

9. The Executive Board may wish to endorse the plans to phase out the activities of the United Nations Revolving Fund for Natural Resources Exploration by the end of 2000 as outlined in the present document.